

After the Storms: Impact of the December 1999 Storms which Hit Europe

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Three storms packing hurricane force winds struck Europe in December of 1999. The resulting damage to European forests is estimated at between 150 and 195 million m³ of thrown timber. France suffered the most forest damage (140 million m³), followed by Germany (30 million m³), and Switzerland (12 million m³). The sudden and massive oversupply of roundwood, equivalent to 1-3 years of normal harvests, was expected to cause a major market disruption in Western Europe. Similar storms which hit Europe in 1990 damaged about 90 million m³ of European forests depressing prices for several years. However, despite the greater ferocity and damage done by the 1999 storms, the impact on wood product markets may be more moderate this time.

STORM DAMAGE STATISTICS

Country	Damaged Timber (million m ³)	Annual Removals (million m ³)	Percent of Annual Removals
France	139.6	43	325%
Germany	30.0	39	77%
Switzerland	12.1	4	290%
Sweden	5.0	58	9%
Denmark	3.7	2	169%
Poland	2.0	23	9%
Austria	0.4	14	3%
Lithuania	0.4	5	8%

Source: UNECE Timber Committee

Timing

The impact of the 1999 storms on wood markets was reduced somewhat by the strong French economy and the timing of the storms. The European economies are booming, and demand for forest products is very strong. France, for example, where the greatest surplus of storm timber has entered the market, is experiencing its strongest economy in years. Over the 12 month period ending in March, France's GDP has risen by 3.3 percent, the fastest growth of Europe's big economies. Since 1998 a rebound in economic activity has led to a surge in French housing starts with construction output expected to increase another 3.6 percent in 2000.

In addition, the 1999 storms hit Europe before much of the timber harvests had been planned for 2000. In 1990, the timber harvest program for softwoods was already completed and the storm simply added to the already harvested volume. This time the forest industry was still at the beginning of the harvesting period and can partly substitute the program harvest with storm damaged wood.

Mitigation

In France, Germany, and Switzerland, national and local governments have also enacted programs to lessen the effects of the storms. The measures concentrate on accelerating the clearing operations, minimizing the economic impact of the storms, and laying the basis for reconstruction.

In Germany, for example, the Forest Damage Compensation Act was passed which sets restrictions of regular logging beginning February 12, 2000. In Baden-Württemberg the regular harvest for spruce and beech is restricted to 60 percent of the average logging of the last four years (1995-1998).

In other German States, logging is restricted to

75 percent. This represents a reduction from about 40 to 30 million m³ overall.

Complimenting the logging restrictions, the German law puts into force a series of tax reductions and low interest loans to assist companies affected. In addition, several states have earmarked substantial funds for timber processing, clearing damaged areas, establishment and management of storage sites, timber transportation, reconstruction of forestry roads, and reforestation in damaged areas.

In France, a national plan has been created committing more than 2 billion francs (\$275 million) in direct assistance, and another 12 billion francs (\$1.7 billion) in loans. Ten million francs (\$1.3 million) is targeted toward promoting wood consumption, however the majority of funding is designated for clearing and transportation efforts aimed at removing damaged timber. The French forest industry, led by the National Forest Office, which manages French public forests, has also decided to postpone most wood cuts that had been planned for CY 2000 and to try to maintain rooted trees such as douglas-fir and oaks, which can survive even with some root loss. However, the wood industry believes that 50 to 70 percent of the fallen wood (i.e., 75 to 98 million m³) will be harvested, stored and processed by the end of 2000.

Impact in Germany

Germany sustained substantial damage affecting 30 million m³ of timber. However, the strong economy and the mitigation efforts undertaken by the Federal and State governments appear to be dampening the storms' aftereffects. According to industry sources, there appear to be sufficient processing facilities and demand for the damaged timber. While there may be downward pressure on prices, a collapse of softwood timber prices is not foreseen in

Germany.

U.S. exports to Germany also appear to be unaffected. First quarter trade data show total U.S. solid wood exports to Germany up 3.8 percent, while U.S. softwood lumber sales are 5.1 percent higher than at this point last year.

Damage in France

France, was hardest hit by the December storms and will not escape market disruption. In France, an estimated 140 million m³ of timber was blown over, representing more than 325 percent of France's annual harvest. A newly-released study conducted by the French Ministry of Agriculture and Fisheries showed that about 500,000 hectares of French forest (or about 4 percent of total French forest area) were destroyed by the December hurricanes. According to the report, the tallest trees (above 20 meters) and thickest (more than 40 centimeters in circumference) suffered five times the damage suffered by smaller trees.

The storm damage has driven wood prices down sharply in France. Prices of beech, and to a lesser extent oak, have dropped in the first quarter of 2000. The average beech price has dropped by 50 percent (30 percent drop for high quality beech, 70 percent for lower quality wood) and is back to its 1993 price level. Oak prices have declined by 20 to 30 percent. Softwood prices in general have had the greatest price falls as an estimated 70 percent of all uprooted trees in France were softwood.

Despite these price drops, U.S. solid wood exports to France have been relatively sheltered from the storm. To a substantial degree, U.S. exports complement many French wood products more than they compete with them. Consequently, while low quality beech and spruce prices have fallen significantly in France, total U.S. solid wood exports to France are actually up 27 percent for the first quarter of 2000 amounting to \$19.1 million.

In fact, U.S. solid wood exports are on pace to set a new record in France despite the storms.

U.S. hardwood lumber, the largest single category of U.S. solid wood exports, led the export growth, up 29 percent to \$8.9 million. White oak remained the most popular U.S. species exported to France. However, American maple, alder, and cherry lumber accounted for the majority of the increases in U.S. lumber exports, up 57 percent to \$3.4 million through March.

As would be expected, U.S. softwood exports to France were most affected by the storms, down 23 percent to \$1.9 million for the first quarter.

Sources: United Nations Economic Commission for Europe (UNECE) Timber Committee, and FAS Attache Reports GM0005 and FR0049.